

2001 ASPA Meeting

Schedule B Issues

By Martin Pippins

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Schedule B on the Internet

[IRS Home Page](#)

[2000 Schedule B Form](#)

[2000 Schedule B Instructions](#)

I. New Guidance Issued

- Notice 2001-56 (\$200,000 compensation limit) [Notice 2001-56](#)
 - Use of \$200,000 limit in periods prior to 2002 plan years permitted for certain plans
 - Also see Notice 2001-57 for the Sample Amendment implementing the \$200,000 limit [Notice 2001-57](#)
- Revenue Ruling 2001-51 (section 415 increases under EGTRRA)
 - Modeled on Notice 99-44
 - Ignore EGTRRA sunset for 412 and 404 purposes (i.e., assume EGTRRA changes are permanent for these purposes)
 - Increases in liabilities due to EGTRRA 415 increases are amortized over 30 years as plan amendment
- Notice 2001-xx (COLAs for 2002, to be issued soon)
 - 415(b) limit is \$160,000 for LYs ending after 12/31/01
 - 415(c) limit is \$40,000 for LYs beginning after 12/31/01
 - Base period changes for 415(d) COLA adjustments (for pension limitations)
- Rev. Rul. replacing mortality table in Rev. Rul. 95-6 (to be issued soon)

- Announcement 2001-103 provides disaster relief from penalties and interest relating to late filing of Form 5500
- PWBA provides extensions to file Form 5500, see: [DOL 5500 Filing Extension](#)
- Notice 2001-61 provides general disaster relief to taxpayers under Code section 7508A
- For other benefits guidance, see: [EP Published Guidance](#)

II. Topics of interest

- EGTRRA change: Repeal of current liability full funding limitation
 - Section 651 of EGTRRA repeals CL FFL [section 412(c)(7)(A)(i)(I)] effective for plan years beginning 1/1/04 or after
 - Continue maintaining CL FFL bases until 2004 (adjust in 2004 as required)
- EGTRRA change: Valuation date in prior year permitted under 412(c)(9), effective for plan years beginning after 12/31/01
 - Section 661 of EGTRRA modifies Code section 412(c)(9)
 - Valuation dates within the plan year or within one month prior to plan year allowed for all plans (this same rule is in Prop. Reg. 1.412(c)(9)-1(b)(1))
 - Any valuation date within prior plan year allowed if plan assets are not less than 125% of current liability (412(c)(7)(B) definition)
- Joint Board disaster relief update
 - Extensions granted for CPE credits and for renewal applications
 - Extensions apply to all enrolled actuaries
 - CPE credits earned 1/1/02 through 6/30/02 can be used in one or the other enrollment cycle (but not both)
 - Application for renewal extended from 2/28/02 to 7/31/02
 - Use of 99- prefix extended to 8/31/02
 - Special instructions for records lost due to disaster
 - If you are ready, please don't wait to apply for renewal!
 - This information is on JBEA website: [Joint Board](#)

- Projected unit credit funding method used for cash balance plans
 - Cash balance plans not eligible for automatic approval
 - Change in funding method ruling letters are being issued
 - Language in letters takes into account terms of plan
 - Service pro-rate is adapted for cash balance formulas

III. Schedule B Changes Made for 2001 Schedule B

- No major changes
- 5500 EZ filing changes
 - 412(i) indicator added to form
 - Instructions changed regarding Who May Not Have to File for plans with funding deficiencies

IV. The Gateway % for 2001

A. The Gateway % is calculated by dividing:

(a) the actuarial value of assets unreduced by any credit balance, by

(b) the RPA '94 current liability calculated using the highest interest rate available

B. The 2001 Gateway

1. There is no Additional Funding Charge (AFC) for 2001 if the Gateway % for 2001 is 90% or more.

2. There is no AFC for 2001 if the Gateway % for 2001 is 80% or more, but less than 90%, and

- the Gateway % is at least 90% for 2000 and 1999, or
- the Gateway % is at least 90% for 1999 and 1998.

C. Target Percentages (line 14b) for 2001 (The last year these will be used!)

<u>If line 14a (Initial FCL%) is...</u>	<u>Then enter on line 14b</u>
line 14a <= 56.00%	line 14a + 24.00%
56.00% < line 14a <= 60.00%	90.0% x line 14a + 29.60%
60.00% < line 14a <= 63.00%	81.0% x line 14a + 35.00%
63.00% < line 14a <= 66.00%	72.9% x line 14a + 40.11%
66.00% < line 14a <= 67.18%	65.61% x line 14a + 44.92%
67.18% < line 14a <= 69.00%	72.9% x line 14a + 40.02%
69.00% < line 14a <= 71.55%	65.61% x line 14a + 45.05%
71.55% < line 14a <= 72.00%	72.9% x line 14a + 39.83%
72.00% < line 14a <= 74.55%	65.61% x line 14a + 45.08%
74.55% < line 14a <= 75.00%	72.9% x line 14a + 39.64%
75.00% < line 14a <= 77.56%	65.61% x line 14a + 45.11%
77.56% < line 14a <= 80.30%	72.9% x line 14a + 39.46%
80.30% < line 14a <= 82.77%	81.0% x line 14a + 32.95%
82.77% < line 14a <= 84.99%	90.0% x line 14a + 25.50%
84.99% < line 14a	line 14a + 17.0%

V. RPA '94 Current Liability

A. Interest Rate Assumptions

1. Within the restricted corridor:

- Lower limit: 90% of the weighted average interest rate
- Upper limit: 105% of weighted average for 1999 and later

2. Coordination with RPA '94 interest rate

- General Rule: RPA '94 and OBRA '87 interest rates are the same, but...
- Exception: If RPA '94 interest rate is at the upper limit (105% for 2000), then OBRA '87 can be any interest rate between RPA '94 upper limit and 110% of weighted average interest rate. See Rev. Rul. 96-21, Q&A-9.

B. Mortality Assumptions

- For mortality tables, see Rev. Rul. 95-28
- For disability tables, see Rev. Rul. 96-7
- For other assumptions, see Notice 90-11

C. Where RPA '94 Current Liability is Used

1. For computing the basic items of line 12 (calculation of the Additional Funding Charge (AFC))
2. For computing the funding current liability percentage (FCL%) threshold when determining whether the plan (other than a multiemployer plan):

- Has a liquidity requirement.

There is no liquidity requirement if (1) the FCL% of the prior year is 100% or more, or (2) the plan has 100 or fewer participants in the prior plan year. Note: when computing FCL% for this purpose, use the actuarial value of assets as of the valuation date, unreduced by any credit balance.

- Is subject to the quarterly contribution requirement of section 412(m).

No additional interest is charged if the FCL% of the prior year is 100% or more. Note: when computing FCL% for this purpose, use the actuarial value of assets as of the valuation date, unreduced by any credit balance (see Rev. Rul. 95-31, Q&A-4).

3. For calculation of the 90% full funding limitation override. Note: for this computation, use the actuarial value of assets, unreduced by any credit balance.
4. For calculation of the section 404(a)(1)(D) deductible limit (for plans other than multiemployer plans).

VI. OBRA '87 Current Liability

A. Interest Rate Assumptions

- Within the 10% corridor around the weighted average interest rate.
- Coordination with OBRA '87 interest rate

B. Mortality Assumptions - No prescribed tables

C. Where OBRA '87 Current Liability is Used

- For computing the OBRA '87 full funding limitation (line 9l(2))
- For computing the AFC under pre-RPA '94 law (line 13) when:
 - In 1995, the additional unfunded old liability was computed under the irrevocable Optional rule, or
 - For the current year, the AFC is calculated under the Transition rule of section 412(l)(11) (line 14)